

**REPORT OF THE AUDIT OF THE  
SCOTT COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE SCOTT COUNTY FISCAL COURT**

**June 30, 2006**

The Auditor of Public Accounts has completed the audit of the Scott County Fiscal Court for fiscal year ended June 30, 2006.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Scott County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements applicable to Scott County's major federal programs: Highway Planning and Construction (CFDA #20.205).

#### **Financial Condition:**

The fiscal court had net assets of \$64,446,476 as of June 30, 2006. The fiscal court had unrestricted net assets of \$24,661,062 in its governmental activities as of June 30, 2006, with total net assets of \$64,433,407. In its business-type activities, total net cash and cash equivalents were \$13,069 with total net assets of \$13,069. The fiscal court had total debt principal as of June 30, 2006 of \$1,625,000 with \$380,000 due within the next year.

#### **Deposits:**

On July 31, 2005, \$13,653 of the county's deposits were uninsured and unsecured.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Scott County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Scott County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Scott County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2007, on our consideration of Scott County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

January 24, 2007



SCOTT COUNTY OFFICIALS

For The Year Ended June 30, 2006

**Fiscal Court Members:**

George Lusby	County Judge/Executive
Anna Isaacs	Magistrate
Gary Allen Perry	Magistrate
Jim McClanahan	Magistrate
Bobby Rankin	Magistrate
John T. Hoffman	Magistrate
Tom Prather	Magistrate
Jerry Bruin	Magistrate

**Other Elected Officials:**

Clay McKnight	County Attorney
Larry Covington	Jailer
Jackie Covington	County Clerk
Karen Boehm	Circuit Court Clerk
Bobby Hammons	Sheriff
Jane Rankin	Property Valuation Administrator
John Goble	Coroner

**Appointed Personnel:**

Jane L. Abner	County Treasurer
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Court House  
Built 1877

## George Lusby

Scott County Judge/Executive  
P.O. Box 973  
Court House, Main Street  
Georgetown, Kentucky 40324

Telephone  
(502) 863-7850  
Fax  
(502) 863-7852

### Management's Discussion and Analysis June 30, 2006

The financial management of Scott County, Kentucky offers readers of Scott County's financial statements this narrative overview and analysis of the financial activities of Scott County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

#### Financial Highlights

- Scott County collected \$29,075,172 in General Fund revenue and carried forward a balance of \$22,481,219 for total funds available of \$51,556,391. Expenses in the General Fund totaled \$24,629,203 plus transfers to the Jail Fund of \$1,300,000, transfers to the Road Fund of \$1,300,000, and transfers to the Public Properties Corporation of \$406,757. The total expenses for the General Fund were \$27,635,960. Scott County showed a net gain in the General Fund of \$1,439,212. These calculations, rounded to the nearest dollar, leave a carry over balance of \$23,920,431 to begin the new fiscal year.
- The fiscal year ended June 30, 2006 was the first year since the inception of the payroll tax that the amount collected was less than the previous year. The amount collected in fiscal year 2005 was \$10,831,473. In fiscal year 2006, the amount collected was \$10,721,482. This was a net difference of \$109,991 less than the prior year. This is a trend that must be carefully watched. The net profits tax was less than the previous year but was the second highest since the beginning of the tax being implemented. The net profits tax over the past four years has seen a steady increase from the previous years and has allowed the carryover money to increase. Interest income has been down the past two years due to lower interest rates but is now increasing as the rates are beginning to adjust higher.
- As we move into the new fiscal year several capital projects could cause the County to dip deep into the carryover money. These projects include a new fire and ambulance station at Sadieville that is scheduled to be finished during fiscal year 2007. In addition to this a new park at Great Crossing will begin in the near future and completion of the reservoir is still ongoing as we wait for approval from the Federal Government. These two projects will be phased in and a probability exists that bonded revenue will be required for partial funding.
- A final and, perhaps, bigger concern for the future cost to County government is the increase in the number of employees especially in the emergency fields. The cost of salaries plus the continued increase in insurance cost and retirement payments may well become a major issue in the next few years. The cost of both of these has more than tripled in the past five years.

### Financial Highlights (Continued)

- The bright spots in the County government are the steady increase in revenue due to increased value to the property tax rolls and the addition of new businesses. In addition to this the County has not acquired any new debt. At this point in time the County is in the best financial position in its history.

### Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Scott County's basic financial statements. Scott County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Scott County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Scott County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Scott County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the county that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Scott County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The county has one business type activity - the operation of a jail canteen.

### **Government-wide Financial Statements. (Continued)**

The government-wide financial statements include not only Scott County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the county. Scott County has one such entity, the Public Properties Detention Center Corporation. It is known as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Scott County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Scott County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Scott County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund, Jail Fund, and Public Properties Corporation Fund, all of which are considered major funds by the County. The Local Government Economic Assistance Fund, McCracken Trust Fund, and Hospital Fund, are considered non-major funds and are represented in a combined form.

Scott County adopts an annual appropriated budget for its major governmental funds except for the Public Properties Corporation Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Fiduciary Fund.** Scott County has one fiduciary fund. The Jail Canteen Inmate Fund is used to account for monies held by the County for a custodial purpose only.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Scott County Fiscal Court  
Management Discussion and Analysis  
June 30, 2006  
(Continued)

**Government-wide Financial Analysis.**

**Net Assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1**  
**Scott County's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
<b>Assets</b>						
Current and other assets	\$ 24,103,094	\$ 24,745,606	\$ 6,510	\$ 13,069	\$ 24,109,604	\$ 24,758,675
Capital assets	36,968,209	41,312,801			36,968,209	41,312,801
Total Assets	61,071,303	66,058,407	6,510	13,069	61,077,813	66,071,476
<b>Liabilities</b>						
Current and other liabilities	360,000	380,000			360,000	380,000
Long-term liabilities	1,625,000	1,245,000			1,625,000	1,245,000
Total Liabilities	1,985,000	1,625,000			1,985,000	1,625,000
<b>Net Assets</b>						
Invested in capital assets, net						
of related debt	34,983,209	39,687,801			34,983,209	39,687,801
Restricted For:						
Nonexpendable	82,426	83,422			82,426	83,422
Expendable	1,118	1,122			1,118	1,122
Unrestricted	24,019,550	24,661,062	6,510	13,069	24,026,060	24,674,131
Total Net Assets	\$ 59,086,303	\$ 64,433,407	\$ 6,510	\$ 13,069	\$ 59,092,813	\$ 64,446,476

**Table 2**

	Governmental Activities		Percent Change
	2005	2006	
<b>Revenues:</b>			
General Revenue	\$ 25,199,402	\$ 25,275,544	0%
Charges For Services	1,305,181	1,282,882	-2%
Operating Grants and Contributions	1,847,806	3,902,738	53%
Capital Grants and Contributions		500,000	100%
Total Revenues	\$ 28,352,389	\$ 30,961,164	8%
<b>Expenses:</b>			
General Government	\$ 9,928,453	\$ 10,330,740	4%
Protection to Persons and Property	6,418,211	6,907,647	7%
General Health and Sanitation	17,258	722,989	98%
Social Services	478,965	478,346	0%
Recreation and Culture	1,941,988	1,950,588	0%
Roads	2,341,911	2,248,369	-4%
Interest on Long-Term Debt	110,151	94,080	-17%
Capital Projects	1,433,439	2,881,301	50%
Total Expenses	\$ 22,670,376	\$ 25,614,060	11%

Scott County Fiscal Court  
 Management Discussion and Analysis  
 June 30, 2006  
 (Continued)

**Changes in Net Assets.**

*Governmental Activities.* Scott County's net assets increased by \$5,347,104 in fiscal year 2006. Key elements of this are as follows:

- Current assets and cash increased \$642,512.
- Investment in capital assets, net of related debt increased \$4,704,592.
- Current and long-term liabilities decreased by \$360,000.
- Revenues were \$30,961,164 as reflected in the Statement of Activities.
- Expenditures totaled \$25,614,060 as reflected in the Statement of Activities.

*Business-type Activities.* Scott County's net assets increased by \$6,559 in fiscal year 2006. Key elements of this are as follows:

- Current assets and cash increased by \$6,559.

**Financial Analysis of the County's Funds.**

As noted earlier, Scott County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds Overview.* The focus of Scott County's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of Scott County's governmental funds was \$24,745,606. Approximately 99% (\$24,662,182) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$83,424) is reserved to indicate that it is not available for new spending because it is committed.

The County has 7 governmental funds. These are 1) General Fund; 2) Road and Bridge Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund; 5) Hospital Fund; 6) McCracken Trust Fund 7) Public Properties Corporation Fund.

1. The General Fund is the chief operating fund of Scott County. At the end of the June 30, 2006 fiscal year, the total fund balance of the General Fund of \$23,920,431 was unreserved. The county received \$10,721,482 in Occupational tax revenues and \$6,621,972 in Net Profit tax revenues. This accounts for approximately 60% of the general fund revenue. \$1,533,565 was received from real and personal property taxes and accounts for approximately 5% of the county's general fund revenues.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. The Road Fund collected \$1,294,077 in revenue and received \$1,300,000 from the General Fund. The Road Fund had a prior year surplus carry over amount of \$355,153, with a total operating budget of \$4,242,509. There were expenses of \$2,843,180 leaving a year-end balance of \$106,050. The largest expenses in this fund were for road and bridge maintenance and salaries with each over \$1,000,000.

**Financial Analysis of the County's Funds. (Continued)**

3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund received \$424,169 in revenue generated from its operations and \$1,300,000 was transferred in from the General Fund. The Jail Fund had a prior year surplus carry over amount of \$503,009 with a total operating budget of \$2,567,032. There were expenses of \$2,099,219 and a transfer to the Public Properties Corporation of \$46,756 leaving a year-end balance of \$81,203.
4. The Local Government Economic Assistance Fund received \$158,116 during the fiscal year and had a prior year surplus carry over balance of \$276,065. There were expenses of \$275,000, leaving a year-end balance of \$159,181. Money in this fund is used to pay for road improvements.
5. The Hospital Fund revenue is generated from Certificates of Deposit from the sale of the old hospital. The funds are used for medicine for those without the ability to pay. Total money generated from interest this year was \$8,137 and there was a carryover of \$404,104 for a total of \$412,241. Expenses totaled \$18,046 leaving a carryover for the new year of \$394,195. This does not include the amount invested in the Certificates of Deposit that are earmarked for only generating income for the fund.
6. The McCracken Trust Fund is used to pay for care for the indigent. The money in this fund is generated from a trust fund and only the interest can be spent with one-third of the money going back into the trust fund. This fund received \$1,493 in interest and had a carryover of \$83,544 for a total of \$85,037. Expenses totaled \$491 leaving a carryover balance of \$84,546.
7. The Public Properties Corporation Fund is used to pay the debt service payments for the Series 1997 Refunding Issue. Transfers are made from the General Fund and the Jail Fund to the Public Properties Corporation Fund for the payments to then be made by the third party trustee.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, in more detail.

Scott County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$13,069 as of June 30, 2006 and a cash balance of \$13,069.

**General Fund Budgetary Highlights.**

Actual operating revenues were \$12,046,726 more than the amount originally budgeted by Fiscal Court. This increase was primarily from Intergovernmental sources and tax revenues.

Actual operating expenditures were \$5,239,295 less than the amount originally budgeted by Fiscal Court.



Scott County Fiscal Court  
Management Discussion and Analysis  
June 30, 2006  
(Continued)

### Capital Assets and Debt Administration.

*Capital Assets.* Scott County's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounts to \$41,312,801 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure. The County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2006 fiscal year included the purchase of the Taylor property, completion of two new bridges, addition of sleeping quarters for two of the fire stations, purchase of an ambulance and fire truck, and the purchase of a building for the EMS station. Additional information on the County's capital assets can be found in Note 3 of this report.

**Table 3**  
**Scott County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Infrastructure Assets	\$ 12,851,081	\$ 12,898,156			\$ 12,851,081	\$ 12,898,156
Land	4,474,833	6,706,712			4,474,833	6,706,712
Buildings and Improvements	15,571,448	16,739,071			15,571,448	16,739,071
Other Equipment	1,936,344	2,310,840			1,936,344	2,310,840
Vehicles and Equipment	2,134,503	2,658,022			2,134,503	2,658,022
Total Net Capital Assets	\$ 36,968,209	\$ 41,312,801	\$	\$	\$ 36,968,209	\$ 41,312,801

*Long-Term Debt.* At the end of the 2006 fiscal year, Scott County had total long-term debt principal outstanding of \$1,625,000. The amount of this debt due within the next year is \$380,000 and \$1,245,000 is due in subsequent years. This debt is described in note 4 of the notes to the financial statements.

### Requests For Information

This financial report is designed to provide a general overview of Scott County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Scott County Treasurer, PO Box 973, Georgetown, KY 40324.

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**SCOTT COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**



**SCOTT COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 24,745,606	\$ 13,069	\$ 24,758,675
Total Current Assets	24,745,606	13,069	24,758,675
Noncurrent Assets:			
Capital Assets - Net of			
Accumulated Depreciation			
Land and Land Improvements	6,706,712		6,706,712
Buildings	16,739,071		16,739,071
Other Equipment	2,310,840		2,310,840
Vehicles and Equipment	2,658,022		2,658,022
Infrastructure Assets - Net			
of Depreciation	12,898,156		12,898,156
Total Noncurrent Assets	41,312,801		41,312,801
Total Assets	66,058,407	13,069	66,071,476
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds Payable	380,000		380,000
Total Current Liabilities	380,000		380,000
Noncurrent Liabilities:			
Revenue Bonds Payable	1,245,000		1,245,000
Total Noncurrent Liabilities	1,245,000		1,245,000
Total Liabilities	1,625,000		1,625,000
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	39,687,801		39,687,801
Restricted For:			
Indigent Care-Nonexpendable	83,422		83,422
Indigent Care-Expendable	1,122		1,122
Unrestricted	24,661,062	13,069	24,674,131
Total Net Assets	\$ 64,433,407	\$ 13,069	\$ 64,446,476

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**

**SCOTT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 10,330,740	\$ 485,478	\$ 958,059	\$
Protection to Persons and Property	6,907,647	720,487	428,412	
General Health and Sanitation	722,989	76,917		
Social Services	478,346			
Recreation and Culture	1,950,588			500,000
Roads	2,248,369		1,394,373	
Interest on Long-Term Debt	94,080			
Capital Projects	2,881,301		1,121,894	
Total Governmental Activities	25,614,060	1,282,882	3,902,738	500,000
Business-type Activities:				
Jail Canteen	31,495	37,534	520	
Total Business-type Activities	31,495	37,534	520	
Total Primary Government	\$ 25,645,555	\$ 1,320,416	\$ 3,903,258	\$ 500,000

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**SCOTT COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (8,887,203)	\$	\$ (8,887,203)
(5,758,748)		(5,758,748)
(646,072)		(646,072)
(478,346)		(478,346)
(1,450,588)		(1,450,588)
(853,996)		(853,996)
(94,080)		(94,080)
(1,759,407)		(1,759,407)
(19,928,440)		(19,928,440)
	6,559	6,559
	6,559	6,559
(19,928,440)	6,559	(19,921,881)
1,521,872		1,521,872
11,693		11,693
408,818		408,818
18,255,227		18,255,227
1,812,328		1,812,328
2,619,583		2,619,583
646,023		646,023
25,275,544		25,275,544
5,347,104	6,559	5,353,663
59,086,303	6,510	59,092,813
\$ 64,433,407	\$ 13,069	\$ 64,446,476

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

**SCOTT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2006**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 23,920,431	\$ 106,050	\$ 81,203
Total Assets	<u>\$ 23,920,431</u>	<u>\$ 106,050</u>	<u>\$ 81,203</u>
<b>FUND BALANCES</b>			
Reserved for:			
Permanent Care-Indigent Care	\$	\$	\$
Unreserved:			
General Fund	23,920,431		
Special Revenue Fund		106,050	81,203
Permanent Fund			
Total Fund Balances	<u>\$ 23,920,431</u>	<u>\$ 106,050</u>	<u>\$ 81,203</u>

The accompanying notes are an integral part of the financial statements.

**SCOTT COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2006**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 637,922</u>	<u>\$ 24,745,606</u>
<u><u>\$ 637,922</u></u>	<u><u>\$ 24,745,606</u></u>
\$ 83,424	\$ 83,424
	23,920,431
553,376	740,629
<u>1,122</u>	<u>1,122</u>
<u><u>\$ 637,922</u></u>	<u><u>\$ 24,745,606</u></u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balances	\$ 24,745,606
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	60,532,279
Depreciation	(19,219,478)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Bonded Debt	<u>(1,625,000)</u>
Net Assets Of Governmental Activities	<u><u>\$ 64,433,407</u></u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**SCOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Public Properties Corporation Fund</b>
<b>REVENUES</b>				
Taxes	\$ 20,148,909	\$	\$	\$
Excess Fees	876,053			
Licenses and Permits	460,793			
Intergovernmental	3,925,199	1,237,574	359,696	
Charges for Services	529,253		47,611	
Miscellaneous	2,502,790	53,602	16,862	
Interest	632,175	2,901		
Total Revenues	<u>29,075,172</u>	<u>1,294,077</u>	<u>424,169</u>	
<b>EXPENDITURES</b>				
General Government	7,062,240			
Protection to Persons and Property	6,934,668		1,474,109	
General Health and Sanitation	694,565			
Social Services	459,809			
Recreation and Culture	1,927,422			
Roads		2,092,943		
Debt Service	567			453,513
Capital Projects	2,730,393	150,908		
Administration	4,819,539	599,329	625,110	
Total Expenditures	<u>24,629,203</u>	<u>2,843,180</u>	<u>2,099,219</u>	<u>453,513</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,445,969</u>	<u>(1,549,103)</u>	<u>(1,675,050)</u>	<u>(453,513)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds		1,300,000	1,300,000	453,513
Transfers To Other Funds	(3,006,757)		(46,756)	
Total Other Financing Sources (Uses)	<u>(3,006,757)</u>	<u>1,300,000</u>	<u>1,253,244</u>	<u>453,513</u>
Net Change in Fund Balances	1,439,212	(249,103)	(421,806)	
Fund Balances - Beginning	22,481,219	355,153	503,009	
Fund Balances - Ending	<u>\$ 23,920,431</u>	<u>\$ 106,050</u>	<u>\$ 81,203</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.



SCOTT COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2006  
 (Continued)

Non- Major Funds	Total Governmental Funds
\$	\$ 20,148,909
	876,053
	460,793
156,799	5,679,268
	576,864
	2,573,254
10,947	646,023
167,746	30,961,164
	7,062,240
	8,408,777
	694,565
18,537	478,346
	1,927,422
275,000	2,367,943
	454,080
	2,881,301
	6,043,978
293,537	30,318,652
(125,791)	642,512
	3,053,513
	(3,053,513)
(125,791)	642,512
763,713	24,103,094
\$ 637,922	\$ 24,745,606

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**SCOTT COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 642,512
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	6,362,910
Depreciation Expense Including \$100,927 from Loss on Disposal Of Capital Assets	(2,018,318)
Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Bond Payments	<u>360,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 5,347,104</u></u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**





**SCOTT COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 13,069
Total Assets	<u>13,069</u>
<b>Net Assets</b>	
Unrestricted	13,069
Total Net Assets	<u><u>\$ 13,069</u></u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**SCOTT COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 14,493
Miscellaneous	23,041
Total Operating Revenues	<u>37,534</u>
<b>Operating Expenses</b>	
Educational and Recreational	5,564
Personnel Costs	3,527
Miscellaneous	22,404
Total Operating Expenses	<u>31,495</u>
Operating Income	<u>6,039</u>
<b>Nonoperating Revenues</b>	
Inmate Pay From State	<u>520</u>
Total Nonoperating Revenues	<u>520</u>
Change In Net Assets	6,559
Total Net Assets - Beginning	<u>6,510</u>
Total Net Assets - Ending	<u><u>\$ 13,069</u></u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**





**SCOTT COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 14,493
Miscellaneous Revenue	23,041
Educational and Recreational	(5,564)
Personnel Costs	(3,527)
Miscellaneous Expense	(22,404)
Net Cash Provided By Operating Activities	<u>6,039</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	<u>520</u>
Net Cash Provided By Noncapital Financing Activities	<u>520</u>
Net Increase in Cash and Cash Equivalents	6,559
Cash and Cash Equivalents - July 1	<u>6,510</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 13,069</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	<u>\$ 6,039</u>
Net Cash Provided By Operating Activities	<u><u>\$ 6,039</u></u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**



**SCOTT COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**

	<u><b>Agency Fund</b></u>
	<u><b>Jail Inmate Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$       6,651
Total Assets	<u>\$       6,651</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	\$       6,651
Total Liabilities	<u>\$       6,651</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Scott County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

**Blended Component Units**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Scott County Public Properties Corporation**

The Scott County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Scott County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the fiscal court.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Scott County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Scott County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Scott County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date.



**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Fund - This fund is for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major governmental funds: Local Government Economic Assistance Fund, McCracken Trust Fund, and the Hospital Fund. The Local Government Economic Assistance Fund and the Hospital Fund are Special Revenue Funds and the McCracken Trust Fund is a Permanent Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements of Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Canteen Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Canteen Inmate Account - This fund accounts for funds received from prisoners upon arrival at the Detention Center and remitted to the prisoners upon release.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	20-25
Buildings and Building Improvements	\$ 5,000	10-60
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-12
Infrastructure	\$ 5,000	20-40

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

The McCracken Trust Fund was established by the will of John C. McCracken in 1835. The will imposed that the fund be held in perpetuity and that one-third of the proceeds and profits be used to increase and augment the principal. The remaining two-thirds of the proceeds and profits were to be used at the Fiscal Court's discretion to alleviate the misfortunes and bettering the conditions of poor and indigent persons.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund, the Jail Canteen Fund, and the Jail Canteen Inmate Agency Fund.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Canteen Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Scott County Fiscal Court: Georgetown-Scott County Tourism and the Scott County Public Library.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Scott County Fiscal Court: Park and Recreation and Planning and Zoning.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, on July 31, 2005, \$13,653 of public funds was exposed to custodial credit risk as follows:

- Uninsured and Unsecured \$13,653

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 4,474,833	\$ 2,271,879	\$ (40,000)	\$ 6,706,712
Total Capital Assets Not Being Depreciated	4,474,833	2,271,879	(40,000)	6,706,712
Capital Assets, Being Depreciated:				
Buildings	20,960,116	1,608,990		22,569,106
Other Equipment	3,346,010	612,304	(32,324)	3,925,990
Vehicles and Equipment	4,714,119	886,847	(240,323)	5,360,643
Infrastructure	20,986,938	982,890		21,969,828
Total Capital Assets Being Depreciated	50,007,183	4,091,031	(272,647)	53,825,567
Less Accumulated Depreciation For:				
Buildings	(5,388,668)	(441,367)		(5,830,035)
Other Equipment	(1,409,666)	(220,092)	14,608	(1,615,150)
Vehicles and Equipment	(2,579,616)	(320,117)	197,112	(2,702,621)
Infrastructure	(8,135,857)	(935,815)		(9,071,672)
Total Accumulated Depreciation	(17,513,807)	(1,917,391)	211,720	(19,219,478)
Total Capital Assets, Being Depreciated, Net	32,493,376	2,173,640	(60,927)	34,606,089
Governmental Activities Capital Assets, Net	\$ 36,968,209	\$ 4,445,519	\$ (100,927)	\$ 41,312,801

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 185,326
Protection to Persons and Property	550,599
General Health and Sanitation	28,424
Recreation and Culture	83,166
Roads, Including Depreciation of General Infrastructure Assets	<u>1,069,876</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,917,391</u>

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 4. Long-term Debt - Public Properties Corporation**

In September 1997, the Scott County Public Properties Corporation Fund issued \$3,415,000 of revenue refunding bonds, series 1997. The bonds were issued for advance refunding of the outstanding 1990 bonds maturing on and after January 1, 2002 to 2010. Interest is payable semi-annually on January 1 and July 1 of each year, and principal payments are due on January 1 of each year in the amounts stated below. The total principal outstanding was \$1,625,000 as of June 30, 2006.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 380,000	\$ 76,593
2008	395,000	58,733
2009	415,000	40,168
2010	435,000	20,663
Totals	<u>\$ 1,625,000</u>	<u>\$ 196,157</u>

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 1,985,000	\$	\$ 360,000	\$ 1,625,000	\$ 380,000
Governmental Activities					
Long-term Liabilities	<u>\$ 1,985,000</u>	<u>\$ 0</u>	<u>\$ 360,000</u>	<u>\$ 1,625,000</u>	<u>\$ 380,000</u>

**Note 5. Employee Retirement System**

The fiscal court elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**SCOTT COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 6. Deferred Compensation**

The Scott County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2006, Scott County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2004 and thereafter are recorded at actual historical cost.

**Note 9. Prior Period Adjustment**

The proprietary fund beginning net asset balance has been restated from \$6,471 to \$6,510 to reflect a \$39 outstanding check that was written off in the jail canteen account.



**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**



**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 13,163,000	\$ 13,163,000	\$ 20,148,909	\$ 6,985,909
Excess Fees	650,000	650,000	876,053	226,053
Licenses and Permits	251,000	251,000	460,793	209,793
Intergovernmental Revenue	1,354,600	1,354,600	3,925,199	2,570,599
Charges for Services	355,000	355,000	529,253	174,253
Miscellaneous	939,846	939,846	2,502,790	1,562,944
Interest	315,000	315,000	632,175	317,175
Total Revenues	17,028,446	17,028,446	29,075,172	12,046,726
<b>EXPENDITURES</b>				
General Government	7,257,638	8,451,840	7,062,240	1,389,600
Protection to Persons and Property	6,793,709	7,411,986	6,934,668	477,318
General Health and Sanitation	652,916	714,836	694,565	20,271
Social Services	476,705	539,530	459,809	79,721
Recreation and Culture	3,412,258	3,412,258	1,927,422	1,484,836
Debt Service	420,000	420,000	407,324	12,676
Capital Projects	1,500,000	3,938,700	2,730,393	1,208,307
Administration	6,262,029	5,386,105	4,819,539	566,566
Total Expenditures	26,775,255	30,275,255	25,035,960	5,239,295
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(9,746,809)	(13,246,809)	4,039,212	17,286,021
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(5,824,191)	(5,824,191)	(2,600,000)	3,224,191
Total Other Financing Sources (Uses)	(5,824,191)	(5,824,191)	(2,600,000)	3,224,191
Net Changes in Fund Balance	(15,571,000)	(19,071,000)	1,439,212	20,510,212
Fund Balance - Beginning	15,571,000	19,071,000	22,481,219	3,410,219
Fund Balance - Ending	\$ 0	\$ 0	\$ 23,920,431	\$ 23,920,431

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 723,050	\$ 723,050	\$ 1,237,574	\$ 514,524
Miscellaneous	2,200	2,200	53,602	51,402
Interest	1,000	1,000	2,901	1,901
Total Revenues	<u>726,250</u>	<u>726,250</u>	<u>1,294,077</u>	<u>567,827</u>
<b>EXPENDITURES</b>				
Roads	3,333,509	3,233,509	2,092,943	1,140,566
Capital Projects	150,000	245,000	150,908	94,092
Administration	759,000	764,000	599,329	164,671
Total Expenditures	<u>4,242,509</u>	<u>4,242,509</u>	<u>2,843,180</u>	<u>1,399,329</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,516,259)</u>	<u>(3,516,259)</u>	<u>(1,549,103)</u>	<u>1,967,156</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>3,516,259</u>	<u>3,516,259</u>	<u>1,300,000</u>	<u>(2,216,259)</u>
Total Other Financing Sources (Uses)	<u>3,516,259</u>	<u>3,516,259</u>	<u>1,300,000</u>	<u>(2,216,259)</u>
Net Changes in Fund Balance			(249,103)	(249,103)
Fund Balance - Beginning			<u>355,153</u>	<u>355,153</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,050</u>	<u>\$ 106,050</u>

**SCOTT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 220,000	\$ 220,000	\$ 359,696	\$ 139,696
Charges for Services	22,000	22,000	47,611	25,611
Miscellaneous	17,100	17,100	16,862	(238)
Total Revenues	259,100	259,100	424,169	165,069
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,720,532	1,790,012	1,474,109	315,903
Debt Service	56,000	47,000	46,756	244
Administration	790,500	730,020	625,110	104,910
Total Expenditures	2,567,032	2,567,032	2,145,975	421,057
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,307,932)	(2,307,932)	(1,721,806)	586,126
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	2,307,932	2,307,932	1,300,000	(1,007,932)
Total Other Financing Sources (Uses)	2,307,932	2,307,932	1,300,000	(1,007,932)
Net Changes in Fund Balance			(421,806)	(421,806)
Fund Balance - Beginning			503,009	503,009
Fund Balance - Ending	\$ 0	\$ 0	\$ 81,203	\$ 81,203

**SCOTT COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**SCOTT COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2006**





**SCOTT COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2006**

	<b>LGEA Fund</b>	<b>McCracken Trust Fund</b>	<b>Hospital Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 159,181	\$ 84,546	\$ 394,195	\$ 637,922
Total Assets	<u>\$ 159,181</u>	<u>\$ 84,546</u>	<u>\$ 394,195</u>	<u>\$ 637,922</u>
<b>FUND BALANCES</b>				
Reserved For:				
Permanent Fund-Indigent Care	\$	\$ 83,424	\$	\$ 83,424
Unreserved:				
Permanent Fund		1,122		1,122
Special Revenue Funds	159,181		394,195	553,376
Total Fund Balances	<u>\$ 159,181</u>	<u>\$ 84,546</u>	<u>\$ 394,195</u>	<u>\$ 637,922</u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**



**SCOTT COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2006**

	<b>LGEA Fund</b>	<b>McCracken Trust Fund</b>	<b>Hospital Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Intergovernmental	\$ 156,799	\$	\$	\$ 156,799
Interest	1,317	1,493	8,137	10,947
Total Revenues	<u>158,116</u>	<u>1,493</u>	<u>8,137</u>	<u>167,746</u>
<b>EXPENDITURES</b>				
Social Services		491	18,046	18,537
Roads	275,000			275,000
Total Expenditures	<u>275,000</u>	<u>491</u>	<u>18,046</u>	<u>293,537</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(116,884)</u>	<u>1,002</u>	<u>(9,909)</u>	<u>(125,791)</u>
Net Change in Fund Balances	(116,884)	1,002	(9,909)	(125,791)
Fund Balances - Beginning	276,065	83,544	404,104	763,713
Fund Balances - Ending	<u>\$ 159,181</u>	<u>\$ 84,546</u>	<u>\$ 394,195</u>	<u>\$ 637,922</u>

The accompanying notes are an integral part of the financial statements.

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**SCOTT COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2006**





**SCOTT COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Scott County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Scott County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Scott County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Scott County reported in Part C of this schedule.
7. The program tested as a major program was: Highway Planning and Construction (CFDA 20.205)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Scott County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS**

None.

**REPORTABLE CONDITIONS**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. PRIOR YEAR FINDINGS**

None.

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**SCOTT COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**SCOTT COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2006**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Justice</u>		
Direct Program:		
Justice Assistance Grant Program (CFDA 16.738)	Not Available	\$ 16,787
<u>U.S. Department of Transportation</u>		
Passed-Through Kentucky Transportation Cabinet:		
Highway Planning and Construction- Historic Ward Hall Preservation Project (TEA-21) (CFDA 20.205)	C-05144388	500,000
Highway Planning and Construction- Historic Jail Complex (TEA-21) (CFDA 20.205)	C-02357922	215,567
Highway Planning and Construction- Historic Jail Complex (TEA-21) (CFDA 20.205)	C-04675924	<u>29,182</u>
Total U.S. Department of Transportation		<u>744,749</u>
<u>U. S. Environmental Protection Agency</u>		
Direct Program:		
Surveys, Studies, Investigations and Special Purpose Grants- Stamping Ground Water Tower Program (CFDA 66.202)	Not Available	60,476
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Homeland Security Grant Program- Citizen Corp Program (CFDA 97.004)	M-04614870	6,317

Scott County  
Schedule of Expenditures of Federal Awards  
Fiscal Year Ended June 30, 2006  
(Continued)

Federal Grantor	Pass-Through	
Program Title	Grantor's Number	Expenditures
<u>Grant Name (CFDA #)</u>		
<u>U.S. Department of Homeland Security (Continued)</u>		
Passed-Through State Department of Military Affairs: (continued)		
Homeland Security Grant Program- Community Emergency Response Team (CFDA 97.004)	M-04614008	\$ 1,157
Homeland Security Grant Program- Kentucky Exercise and Evaluation Program (CFDA 97.004)	M-05286905	264
Homeland Security Grant Program- EOP Update Planning and Preparedness Grant (CFDA 97.004)	M-04647883	2,500
Emergency Management Performance Grant- Support Emergency Preparedness Activities (CFDA 97.042)	M-05443535	<u>21,850</u>
Total U. S. Department of Homeland Security		<u>32,088</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 854,100</u></u>

**SCOTT COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2006**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Scott County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 24, 2007. Scott County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Scott County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report on Internal Control Over Financial Reporting and On  
Compliance and Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

January 24, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable George Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

**Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Scott County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Scott County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Scott County's management. Our responsibility is to express an opinion on Scott County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scott County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Scott County's compliance with those requirements.

In our opinion, Scott County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Scott County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Scott County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

January 24, 2007



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**SCOTT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**

Appendix A

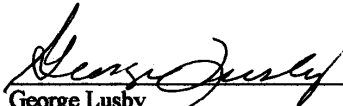


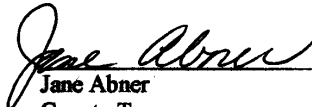
**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**SCOTT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**

The Scott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.

  
George Lusby  
Judge Executive

  
Jane Abner  
County Treasurer

